

**Supplemental Reporting Document  
Table of Contents  
February 2006 Investment Committee Meeting  
(November 2005 Reporting Period)**

**Chief Investment Officer's/Assistant Executive Officer's Report**

Asset Allocation

Performance

California Investments

Status Report (No items to report)

Disclosure of Closed Session Action Items (No items to report)

# TARGET PERCENTAGE COMPARISON ASSET ALLOCATION<sup>1</sup> As of December 31, 2005

<b>(A)</b> <b><u>Asset Class</u></b>	<b>(B)</b> <b><u>Market Value</u></b> <b>(\$ Billion)</b>	<b>(C)</b> <b><u>Current</u></b> <b><u>Allocation</u></b>	<b>(D)</b> <b><u>Target</u></b>	<b>(E)</b> <b><u>Macro</u></b> <b><u>Ranges</u></b>	<b>(F)</b> <b><u>Difference</u></b> <b><u>(C-D)</u></b>
<b>Total Cash Equivalents</b>	<b>6.3</b>	<b>3.1 %</b>	<b>0.0 %</b>		<b>3.1 %</b>
<b>Total AIM: Direct/Partnership</b>	<b>10.1</b>	<b>5.0</b>	<b>6.0</b>	<b>3-9 %</b>	<b>-1.0</b>
<b>Total Global Fixed Income</b>	<b>49.2</b>	<b>24.5</b>	<b>26.0</b>	<b>21-31 %</b>	<b>-1.5</b>
Equities					
Domestic <sup>2</sup>	<b>80.7</b>	<b>40.2</b>	<b>40.0</b>		<b>0.2</b>
International	<b><u>45.3</u></b>	<b><u>22.6</u></b>	<b><u>20.0</u></b>		<b><u>2.6</u></b>
<b>Total Equities</b>	<b>126.1</b>	<b>62.8</b>	<b>60.0</b>	<b>61-71 %</b>	<b>2.8</b>
<b>Total Real Estate</b>	<b>9.3</b>	<b>4.6</b>	<b>8.0</b>	<b>4-12 %</b>	<b>-3.4</b>
<b>Total Equities &amp; Real Estate</b>	<b><u>135.3</u></b>	<b><u>67.4</u></b>	<b><u>68.0</u></b>		<b>-0.6</b>
<b>Total Fund</b>	<b><u><u>200.9</u></u></b>	<b><u><u>100.0 %</u></u></b>	<b><u><u>100.0 %</u></u></b>		

<sup>1</sup> As allocated to managers.

<sup>2</sup> Included is MDP Investment: LM Capital Investment: Total Market Value=\$180.3M.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.  
When summing net amounts on this report, there may be breakage.

**TARGET DOLLAR COMPARISON**  
**ASSET ALLOCATION**  
As of December 31, 2005

(A) <u>Asset Class</u>	(B) Current <u>Allocation</u>	(C) <u>Market Value</u> (\$ Billion)	(D) <u>New Policy</u> <sup>1</sup> (\$ Billion)	(E) Difference <u>(D-C)</u> (\$ Billion)
Total Cash Equivalents	3.1 %	6.3	0.0	-6.3
Total AIM: Direct/Partnership	5.0	10.1	12.1	1.9
Total Global Fixed Income	24.5	49.2	52.2	3.0
Equities				
Domestic <sup>2</sup>	40.2	80.7	80.4	-0.4
International	<u>22.6</u>	<u>45.3</u>	<u>40.2</u>	<u>-5.2</u>
Total Equities	62.8	126.1	120.5	-5.5
Total Real Estate	4.6	9.3	16.1	6.8
Total Equities & Real Estate	<u>67.4</u>	<u>135.3</u>	<u>136.6</u>	<u>1.3</u>
Total Fund	<u>100.0 %</u>	<u>200.9</u>	<u>200.9</u>	

<sup>1</sup> New Policy: Strategic asset allocation targets effective January 1, 2005.

<sup>2</sup> Included is MDP Investment: LM Capital Investment: Total Market Value=**\$180.3M**.

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# MONTHLY PROGRESS REPORT

## ASSET ALLOCATION<sup>1</sup>

As of December 31, 2005

(A)	(B)	(C)	(D)	(E)
<u>Asset Class</u>	<u>11/30/2005 Market Value (\$ Billion)</u>	<u>12/31/2005 Market Value (\$ Billion)</u>	<u>Difference (C-B) (\$ Billion)</u>	<u>Target (\$ Billion)</u>
<b>Total Cash Equivalents</b>	<b>3.4</b>	<b>6.3</b>	<b>2.9</b>	<b>0.0</b>
<b>Total AIM: Direct/Partnership</b>	<b>10.0</b>	<b>10.1</b>	<b>0.1</b>	<b>12.1</b>
<b>Total Global Fixed Income</b>	<b>48.9</b>	<b>49.2</b>	<b>0.3</b>	<b>52.2</b>
Equities				
Domestic <sup>2</sup>	<b>80.8</b>	<b>80.7</b>	<b>0.0</b>	<b>80.4</b>
International	<b><u>46.4</u></b>	<b><u>45.3</u></b>	<b><u>-1.1</u></b>	<b><u>40.2</u></b>
<b>Total Equities</b>	<b>127.2</b>	<b>126.1</b>	<b>-1.1</b>	<b>120.5</b>
<b>Total Real Estate</b>	<b>9.4</b>	<b>9.3</b>	<b>-0.1</b>	<b>16.1</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Equities &amp; Real Estate</b>	<b>136.6</b>	<b>135.3</b>	<b>-1.2</b>	<b>136.6</b>
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<b>Total Fund</b>	<b><u><u>198.8</u></u></b>	<b><u><u>200.9</u></u></b>	<b>2.1</b>	<b><u><u>200.9</u></u></b>

<sup>1</sup> Monthly progress report toward new policy targets.

<sup>2</sup> Included is MDP Investment: LM Capital Investment: Total Market Value= **\$180.3M**.

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# BOOK VS MARKET VALUE

As of December 31, 2005

<b>(A)</b> <b><u>Asset Class</u></b>	<b>(B)</b> <b><u>Book</u></b> <b><u>Value</u></b> <b>(\$ Billion)</b>	<b>(C)</b> <b><u>Market</u></b> <b><u>Value</u></b> <b>(\$ Billion)</b>	<b>(D)</b> <b><u>Difference</u></b> <b><u>(C - B)</u></b> <b>(\$ Billion)</b>
<b>Total Cash Equivalents</b>	<b>6.3</b>	<b>6.3</b>	<b>0.0</b>
<b>Total AIM: Direct/Partnership</b>	<b>12.1</b>	<b>10.1</b>	<b>-2.0</b>
<b>Total Global Fixed Income</b>	<b>48.7</b>	<b>49.2</b>	<b>0.4</b>
Equities			
Domestic <sup>1</sup>	<b>47.3</b>	<b>80.7</b>	<b>33.4</b>
International	<b><u>35.9</u></b>	<b><u>45.3</u></b>	<b><u>9.5</u></b>
<b>Total Equities</b>	<b>83.2</b>	<b>126.1</b>	<b>42.9</b>
<b>Total Real Estate</b>	<b>8.1</b>	<b>9.3</b>	<b>1.2</b>
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<b>Total Equities &amp; Real Estate</b>	<b>91.2</b>	<b>135.3</b>	<b>44.1</b>
	<hr/>	<hr/>	<hr/>
<b>Total Fund</b>	<b><u><u>158.3</u></u></b>	<b><u><u>200.9</u></u></b>	<b>42.5</b>

<sup>1</sup> Included is MDP Investment- LM Capital Investment: Total Book Value=~~\$182.6M~~, Total Market Value=~~\$180.3M~~.

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# GROSS PERFORMANCE VS EXPECTED RETURNS

One Year  
January 1, 2005 to December 31, 2005

(A)	(B)	(C)	(D)	(E)	(F)
<u>Asset Class</u>	<u>Current Allocation</u>	<u>Asset Return</u>	<u>CalPERS Long-Term Expected Annual Return<sup>1</sup></u>	<u>Expected Standard Deviation</u>	<u>One Standard Deviation Range</u>
Total Cash Equivalents	3.1 %	3.4 %	5.2 %	1.1 %	4.1 - 6.3 %
Total AIM	5.0	23.3	13.5	30.0	-16.5 - 43.5
Total Global Fixed Income	24.5	2.8	6.1	8.0	-1.9 - 14.1
Equities					
Domestic	40.2	6.3	9.6	17.0	-7.4 - 26.6
International	22.6	20.2	9.1	19.5	-10.4 - 28.6
Total Equities	62.8	11.6			
Total Real Estate	4.6	50.8	8.5	14.0	-5.5 - 22.5
Total Fund	100.0	11.1	8.8	12.2	-3.4 - 21.0

<sup>1</sup> Asset Allocation Workshop, October 2004

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# NET PERFORMANCE VS EXPECTED RETURNS

One Year  
January 1, 2005 to December 31, 2005

(A)	(B)	(C)	(D)	(E)	(F)
<u>Asset Class</u>	<u>Current Allocation</u>	<u>Asset Return</u>	<u>CalPERS Long-Term Expected Annual Return<sup>1</sup></u>	<u>Expected Standard Deviation</u>	<u>One Standard Deviation Range</u>
Total Cash Equivalents	3.1 %	3.4 %	5.2 %	1.1 %	4.1 - 6.3 %
Total AIM	5.0	23.3	13.5	30.0	-16.5 - 43.5
Total Global Fixed Income	24.5	2.8	6.1	8.0	-1.9 - 14.1
Equities					
Domestic	40.2	6.3	9.6	17.0	-7.4 - 26.6
International	<u>22.6</u>	<u>20.1</u>	9.1	19.5	-10.4 - 28.6
Total Equities	62.8	11.5			
Total Real Estate	4.6	39.3	8.5	14.0	-5.5 - 22.5
Total Fund	<u>100.0</u>	<u>10.6</u>	<u>8.8</u>	<u>12.2</u>	<u>-3.4 - 21.0</u>

<sup>1</sup> Asset Allocation Workshop, October 2004

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.  
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# GROSS RETURNS

One Year

January 1, 2005 to December 31, 2005

	(A)	(B)	(C)
<u>Asset Classes</u>	<u>Reported Gross Return</u>	<u>Expenses<sup>1</sup> (Percent)</u>	<u>Net Return (A-B)</u>
Total Cash Equivalents	3.44%	0.00%	3.44%
Total AIM	23.31%	0.00%	23.31%
Total Global Fixed Income	2.82%	0.02%	2.80%
Equities			
Domestic	6.29%	0.03%	6.26%
International	<u>20.17%</u>	<u>0.08%</u>	<u>20.09%</u>
Total Equities	11.57%	0.04%	11.53%
Total Real Estate	50.76%	11.42%	39.34%
	<hr/>	<hr/>	<hr/>
Total Fund	11.14%	0.54%	10.60%

<sup>1</sup> Does not include Real Estate Advisor Fees or External Equity and Fixed Income manager base fees which are already netted out of return. Does include AIM Partnership and Direct Component fees.



**CALPERS INVESTMENT IN CALIFORNIA as of December 31, 2005**

(A)	(B)	(C)	(D)	(E)	(F)
				CA Investment as % of Asset Class (D/B)	
<u>Asset Class</u>	<u>Portfolio Value (\$ millions)</u>	<u>California (Commitment/ Investments)<sup>1</sup> (\$ millions)</u>	<u>California Investments (\$ millions)</u>	<u>%</u>	<u>Program Description or Assumption</u>
<b>Real Estate - Mortgages</b>					
AFL-CIO (HIT)	97.7	N/A	62.5	64	Union related mortgage fund
CA Community Mortgage Fund	35.1	35.1	35.1	100	Small commercial and multi-family residential mortgages to economically targeted areas
Commercial (Whole Loans/MBS)	592.7	739.2	739.2	N/A	Commercial whole loans, mortgage backed securities and Great Northern program.
Member Home Loan Program	1,437.6	N/A	N/A	N/A	Housing loans for PERS members (includes \$.89 mill of single family MBS)
Ullico	<u>17</u>	<u>17.0</u>	<u>17.0</u>	<u>100</u>	No new additional commitments will be issued as of 3/27/98. All commitments issued.
<b>Subtotal</b>	2,180.2	791.4	853.9	39 %	
<b>Core Portfolio</b>					
AFL-CIO (BIT)	131.5	N/A	23.1	18	Union related mortgage funds
CORE - Equity	5,162.0	2,381.1	2,381.1	46	CORE Equity programs
PREES- REITS	431.1	218.9	218.9	51	Public companies
<b>Non-Core Portfolio</b>					
Senior Housing	215.	64.5	64.5	30	\$200m program approved in 6/00 by Investment Committee, approximately 15-20% of which will be CA based. Program to acquire/develop senior housing facilities throughout the United States. Leverage up to 65% loan to portfolio value for company level distributions. 65% top be used on all acquisition/development going forward.
<b>California Urban Real Estate- (CURE)</b>					
Pacific City Homes	106.5	200.0	106.5	100	Approved 6/01, pending final contract execution, CityHome Partners will focus on developing affordable, for sale, single-family residential communities in urban infill locations throughout California.
Bridge	33.4	100.0	33.4	100	Approved 6/00 by Investment Committee, contract finalized 1/01. Program focusing on early phase capital for the development of affordable housing in urban California. Subsequent to 09/30/02, Bridge invested approximately 11.9 million in the CURE program.
Buchanan Urban Investors	137.1	350.0	137.1	100	Buchanan Urban Investors provides financing for multifamily, industrial, retail, office, mixed use, and storage facilities in urban
CalSmart	180.1	410.0	180.1	100	Program for a broad variety of urban infill development/redevelopment throughout California.
Capri Capital Partners	39.7	135.0	39.7	100	Approved in 06/01 by the Investment Committee. Capri's focus is promoting mezzanine debt for multi-family projects. Subsequent to 09/30/02, Capri invested approximately \$3.9 million in the CURE program.
CIM	210.3	405.0	210.3	100	Approved 6/00 by Investment Committee, contract executed 12/01/00. Program for urban development of street retail and mixed use development/redevelopment properties.
CUIP	332.3	750.0	332.3	100	Urban Infill Investments in California urban areas
Institutional Housing Partners IV	6.8	40.0	6.8	100	Approved in 6/01, IHP will focus on equity investments (development and redevelopment properties) for commercial and multi-family residential and mixed-use projects in infill locations throughout California.
Kennedy Office Development	17.9	150.0	17.9	100	Approved 6/00 by Investment Committee. Program for development/redevelopment of urban office, office r&d and industrial properties
Klein Financial Corporation JV	1.8	50.0	1.8	100	CURE-Affordable Multifamily Housing/ 60% Leverage
Legacy Partners	11.3	240.0	11.3	100	CURE-Affordable Multifamily Housing/ 60% Leverage
R Street Residential	20.3	N/A	20.3	100	
<b>Housing</b>					
Acquisition & Development	34.4	34.4	34.4	100	California land acquisition & development program
National Housing	1,541.1	447.9	447.9	29	Program updated as of 10/99. Single family housing/land development nationwide with emphasis on California.
Single Family Housing	64.9	64.9	64.9	100	California Single Family Housing program

**CALPERS INVESTMENT IN CALIFORNIA as of December 31, 2005**

(A)	(B)	(C)	(D)	(E)	(F)
				CA Investment as % of Asset Class (D/B)	
<u>Asset Class</u>	<u>Portfolio Value (\$ millions)</u>	<u>California (Commitment/ Investments)<sup>1</sup> (\$ millions)</u>	<u>California Investments (\$ millions)</u>	<u>%</u>	<u>Program Description or Assumption</u>
<b>Natural Resources</b>					
Agricultural	120.7	92.1	69.1	57	Pacific Vineyard Partners will acquire and develop vineyards for high end wineries. The program will sell off the developed land to interested parties upon full maturity of the vineyards, approximately 7 years. Leverage max 35% loan to portfolio value.
Timber	123.3	N/A	N/A	N/A	Timber holdings in conjunction with advisory firms throughout the United States. Up to 40% approved at the discretion of SIO. Most likely will use 35% leverage on all acquisition/development. Up to 25% loan to portfolio value for company level debt, policy allows for up to 40%. Most likely will use 20-25% leverage going forward.
<b>Opportunistic</b>					
DIVCO West	9.9	175.0	1.9	N/A	Opportunity Fund FUND focused on buying distressed high-tech Silicon Valley properties for releasing and repositioning.
Other Opportunistic Real Estate	737.9	200.0	96.9	N/A	
<b>International</b>					
International Real Estate	491.4	N/A	N/A	N/A	International real estate.
<b>Subtotal</b>	<u>10,160.5</u>	<u>6,508.8</u>	<u>4,500.1</u>	<u>44</u> %	Real estate commitment values
SW6KRE - CORE MV Adjustment	-361.1				
SW8KRE - SPECIALIZED MV Adjustment	<u>-536.3</u>				
<b>Total Real Estate</b>	<b>11,443.5</b>	<b>7,300.1</b>	<b>5,353.9</b>	<b>47</b> %	
<b>AIM: Partnership Component</b>	10,102.9	1,900.0	1,600.0	16	Includes commitments through December 31, 2005
<b>Domestic Equity</b>	80,725.4	10,494.3	10,494.3	13	CA investment assumed to be 13% of total portfolio value
<b>International Equity</b>	<u>45,342.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>	
<b>Total Equities</b>	<u>136,170.4</u>	<u>12,394.3</u>	<u>12,094.3</u>	<u>9</u> %	
<b>Total Real Estate &amp; Equities</b>	<b>147,613.9</b>	<b>19,694.4</b>	<b>17,448.2</b>	<b>12</b> %	<b>Of total portfolio CA investments in real estate &amp; equities: 8.7%</b>
<b>Cash Equivalents</b>	6,256.1	0.0	0.0	0	On deposit at the Treasurer's Office: \$774.02
<b>Domestic Fixed Income</b>					
Corporate Bonds	18,918.2	432.4	432.4	2	Companies headquartered in CA
Mortgage Pass-Throughs/CMOs	14,263.3	2,410.9	2,410.9	17	CA investment assumed to be 10% GNMA; 20% FNMA; 20% FHLMC; 20% CMO.
External Managed	300.0	0.0	0.0	<u>0</u>	
Treasury Bonds	<u>8,151.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>	
<b>Subtotal</b>	41,633.1	2,843.3	2,843.3	7 %	
<b>International Fixed Income</b>	<u>5,377.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>	
<b>Total Global Fixed Income</b>	<b>47,010.4</b>	<b>2,843.3</b>	<b>2,843.3</b>	<b>6</b> %	
<b>TOTAL</b>	<b>200,880.4</b> =====	<b>22,537.7</b> =====	<b>20,291.5</b> =====	<b>10</b> % =====	<b>Outstanding commitments (column E/column C): 11.2%</b>

<sup>1</sup> Total actual investments at market value and outstanding program commitments in California